

Dollarama Shareholder Sells Stake for \$298-mln

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A major shareholder in Dollarama Inc. DOL-T has agreed to sell its remaining 12 per cent stake in the national discount retailer in a block trade for nearly \$298-million.

Dollarama announced Tuesday that an affiliate of U.S.-based Bain Capital Partners will sell its remaining 9.15 million shares to an unnamed financial institution for \$32.50 a share. That's about 67 per cent above the stock's price when the Montreal-based retailer went public in October 2009.

At midday Tuesday, Dollarama shares were down 26 cents at \$32.49 but remain close to an all-time high of \$33.31 set on Friday.

"We are pleased to have been able to count Bain Capital as one of our major shareholders," chief executive Lawrence Rossy said in a statement on Tuesday.

"The company will continue to benefit from the vast experience and expertise of the Bain Capital representatives that currently serve on our board of directors," Mr. Rossy said.

Funds advised by Bain Capital had owned about 80 per cent of Dollarama's equity from November 2004 until the company went public. After the IPO, funds advised by Bain owned about 60 per cent of Dollarama with about 44.3 million shares.

Veritas Investment Research analyst **Kathleen Wong** has recommended selling Dollarama shares due to decreased store traffic for two consecutive quarters, concern that products sold above the \$1 price point may be near saturation point and increased competition.

"The competitive landscape is intensifying, with the entry of Target Corporation, Dollar Tree Inc. and Big Lots, Inc. into Canada," **Ms. Wong** wrote in a recent research note.

"Dollarama, Dollar Tree and Big Lots will be competing for prime real estate of roughly 10,000 sq.ft. in size and this can lead to higher rent expense," she wrote.

Ms. Wong noted that Dollar Tree entered into the Canadian dollar store market via the acquisition of Dollar Giant for \$52-million in cash.

"The single-price point model for Dollar Tree and Dollar Giant could hurt Dollarama's ability to raise prices," she said.

Dollarama now sells 44 per cent of its merchandise above \$1, the company has said. It has 667 locations across the country.

Dollarama shares began trading publicly on Oct. 13, 2009 at \$19.50 and have been on a steady upward trajectory since then.

Shares in Dollarama were down 25 cents, or almost one per cent, to \$32.50, in late morning trading on the Toronto Stock Exchange.